

Message Text

SECRET

PAGE 01 JIDDA 08142 011134Z
ACTION NEA-10

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S E C R E T JIDDA 8142

E.O. 11652: GDS
TAGS: EINV, ETRD, SA, US
SUBJECT: BIDS OF AMERICAN FIRMS ON SAUDI TELEPHONE PROJECT

REF: STATE 282552 NOTAL

1. WE HAVE BEEN WORKING STEADILY WITH REPRESENTATIVES OF BOTH ATT AND ITT TO PROVIDE ALL POSSIBLE INFORMATION AND SUPPORT IN ORDER THAT ONE OF THESE FIRMS SECURE THE COMMUNICATIONS CONTRACT. IN THIS CINNECTIONNWE HAVE MADE TWO PERSONAL CALLS ON DR. KAYYAL ALONG WITH AN EXTENSIVE TELEPHONE CONVERSATION ON THIS SUBJECT. ON EACH OCCASION, INCLUDING THE VISIT OF NOVERMBER 13, KAYYAL'S REPLY WAS THAT THE MATTER WAS BEING ASSESSED BY EVALUATING COMMITTEE WITH IMPLICATION THAT HE WOULD BE GUIDED BY THEIR RECOMMENDATIONS. WE SENSED IN LAST CONVERSATION WITH KAYYAL THAT HE WAS EXTREMELY SENSITIVE AND PERHAPS RESENTFUL OF ANY ATTEMPTED PRESSURE, UNDERSTANDABLE IN VIEW OF MAGNITUDE OF CONTRACT AND PREVIOUS HISTORY.

2. KAYYAL HAS POINTED OUT TO ME THE PROBLEM EVALUATING COMMITTEE HAS IN ASSESSING BIDS BECAUSE OF NUMEROUS DEPARTURES BY ALL BIDDERS IN PART III. GIVEN HISTORY OF PROJECT WE DOUBT SERIOUSLY THAT SAG WILL WANT TO GO THROUGH THE AGONY OF EITHER REBIDDING OR RENEGO-
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TIATING. WE, HOWEVER, HAVE A DIVERGENCE OF OPINION ON THE PART OF THE TWO AMERICAN COMPANIES, ITT CONTENDING THAT PART III OF THE BID CAN BE SEPARATED FROM PARTS I AND II, AND ATT STEADFASTLY REPRESENTING TO US THAT SUCH WOULD NOT BE PRACTICAL OR FEASIBLE ALTHOUGH CALLED FOR IN THE SPECIFICATIONS.

3. WE HAVE ASKED COMPANY OFFICIALS HERE AND IN U.S. TO KEEP US POSTED AND TO PROVIDE ANY SPECIFIC SUGGESTIONS AS TO PRODUCTIVE ACTION WE CAN TAKE WHICH WILL FURTHER U.S. POSITION WITHOUT SHOWING FAVORITISM. WE ARE CONSIDERING THE POSSIBILITY OF A FORMAL LETTER TO THE SAG EXPRESSING AMERICAN INTEREST AND DETAILING REASONS FOR AWARDED THE PROJECT TO A U.S. COMPANY.

4. WE HAVE ALSO SUGGESTED TO BOTH ATT AND ITT REPRESENTATIVES THAT THEY DO DEFINITIVE STUDY ON EFFECT OF CONTRACT ON AMERICAN JOBS AND AMERICAN BALANCE OF PAYMENTS. IT WOULD BE HELPFUL IF ECONOMISTS REPRESENTING BOTH COMPANIES COULD AGREE ON THESE FIGURES AND HAVE THEM GIVEN SOME OFFICIAL SANCTION BY USG. WESTERN ELECTRIC HAS GIVEN US INFORMATION INDICATING AN EXPECTED \$1 BILLION BALANCE OF PAYMENTS BENEFIT TO THE U.S. FOR PURCHASES OF ALBOR, EQUIPMENT AND SUPPLIES OVER THE LIFE OF THE PROJECT, PLUS EMPLOYMENT FOR AN AVERAGE OF OVER SIX THOUSAND U.S. EMPLOYEES DURING THE NEXT THREE YEARS. THIS IMPACT IS SUFFICIENT FOR US TO CONSIDER THE POSSIBILITY THAT THIS ITEM BE PLACED ON THE AGENDA FOR PRESIDENT CARTER'S VISIT HERE.

5. WE SEE NO USEFUL PURPOSE AT THIS TIME FOR ANY AMERICAN OFFICIALS OF RESPECTIVE BIDDERS TO COME HERE, ALTHOUGH WE WOULD NOT PRESUME TO TELL THEM NOT TO COME.
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Sent Date: 01-Dec-1977 12:00:00 am
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